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SUBJECT: THE AMBASSADOR'S COURTESY CALL ON SENATE PRESIDENT MARCELLO PERA

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Classified By: Ambassador Ronald Spogli for reasons 1.4 (b) and (d).

1. (C) SUMMARY: During a courtesy call with Ambassador Spogli, Senate President Marcello Pera (Forza Italia) said the center-left would win elections if held today. He cited intra-coalition squabbling (especially over the leadership of the coalition), poor economic performance, fall-out from the Euro and voter apathy as the main issues. Pera said Italy's foreign policy would be a "disaster" in the hands of the center left, and praised PM Berlusconi's bold leadership that has brought Italy respect on the world stage. He continued that one immediate consequence would be a quick withdrawal of Italian troops from Iraq. Pera called the progress on the EU constitution and expansion "frozen," and though he reiterated Italian support for Turkish entry into the EU, he said most Europeans are not ready to welcome a Muslim state into the Union. END SUMMARY.

2. (C) Ambassador Spogli paid a courtesy call September 12 on President of the Senate Marcello Pera (Forza Italia). Pera was accompanied by his Diplomatic Adviser. Pera was friendly, forthcoming and eager to discuss his upcoming visit to the United States where he noted he would attend a luncheon with the President, and have meetings with the Vice President, the Secretary, and the National Security Adviser. Pera also said he would be returning to the United States in October to deliver a presentation at Columbia University. The Ambassador thanked Pera for his personal donation of Euro 5,000 to the victims of Hurricane Katrina.

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POLITICS: THE CENTER RIGHT COALITION AND ELECTIONS  
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3. (C) Pera said internal squabbling inside the center right coalition would result in a victory for the center left if elections were held today--even if he did not think the Italian public is ready for a left-leaning government. He noted that the dispute between Chamber of Deputies President Pier Ferdinando Casini (UDC) and PM Berlusconi over the leadership of the coalition had become too personalized and threatened to rupture the coalition before the elections. In fact, Pera predicted the UDC would abandon the governing coalition prior to the elections and "go its own way." According to Pera, Berlusconi had raised "discontinuity" during the spring, but the issue had "gone away" until Casini picked it up and began using it against Berlusconi. At this point, Berlusconi cannot step aside as leader of the House of Freedom coalition without it being viewed as a personal defeat.

4. (C) After four years of government, center-right voters have lost their "enthusiasm." Pera blames the center-right, including himself, for underestimating the economic consequences of 9/11 and not adjusting voter expectations. According to Pera, Berlusconi took power in 2001 on a platform of cutting taxes, which he delivered. However, for the larger program to deliver the desired result, Italy needed to continue at economic growth rates common in the 1990's. Instead, Pera said there was an economic slowdown caused by 9/11, and the government tried to keep its broader promises of economic reform. However, those promises had become unrealistic and the government failed to deliver, disillusioning many of the coalition's supporters. He added that Italy's massive fiscal debt is an aggravating factor, making reform all the more important even if "it would take ten years to complete Berlusconi's 2001 economic agenda."

5. (C) Pera also blamed the Euro for many of the economic problems faced by the Italian people. "Italians have suffered from the Euro," he said. The Lira-Euro exchange rate initially negotiated by the previous center-left government was too high, and the problem has been aggravated by an "overvalued Euro versus the dollar." That said, Pera noted that responsible politicians cannot criticize the Euro too much or the people will clamor for a return to the Lira. In the end, Pera summarized: "It's the economy, stupid," noting that while Berlusconi's foreign policy has been excellent, foreign policy does not pay electoral dividends.

16. (C) Pera predicted the Northern League's Umberto Bossi would run a campaign based on three negative themes: abandon the Euro, stop European integration, and combat extremist Islam. Pera said Bossi would win votes with these issues.

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ON WHAT TO EXPECT FROM A CENTER-LEFT GOVERNMENT  
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17. (C) Pera predicts Italy's foreign policy would be a "disaster" in the hands of the center left. Pera claimed Berlusconi's courageous foreign policy had changed the world's view of Italy, turning Italy into a premier player. He also commended Berlusconi's Israel policy, noting with

particular emphasis that Italy had traditionally been extremely pro-Yasser Arafat. Pera said a win by the center left would bring a "Zapatero-like" foreign policy and the return of Italy as an unreliable partner that takes positions on international issues according to what is most convenient.

One immediate consequence would be a quick withdrawal of Italian troops from Iraq. That said, Pera offered that if Nicolas Sarkozy takes over from Jacques Chirac in France and Angela Merkel gains a clear victory in Germany, these could serve as moderating influences on EU foreign policy in general, and on Italy in particular.

18. (C) Pera was critical of Italy's center left politicians trying to be politically correct and avoiding the obvious link between Islamic extremism and terrorism. He said the struggle with Islamic extremism would last for several years. On other domestic issues, Pera said a center left government would pursue family policies similar to Zapatero, including the approval of homosexual marriages, which he said the Italian people are not ready to sanction.

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THE EU AND TURKEY  
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19. (C) Pera stated the European project is "frozen," and that it would not be possible to begin a reasonable discussion on an EU constitution in the near future. The Ambassador asked what this would mean for Turkey's admission to the EU. Pera said Italy strongly supports bringing Turkey into the EU but noted France and Germany could not accept Turkey's accession into the EU for domestic political reasons in the near term. He continued it is also hard for Italy to support Turkish participation in the EU and noted that the persistence of a terrorist threat and Islamic extremism will determine the timing of Turkey's entry into the EU as much as "having its cards in order." He agreed Turkey is ostensibly "democratic and moderate" but that European people are not ready to bring a Muslim state into Europe.

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COMMENT  
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10. (C) COMMENT: Berlusconi has been a vital and trusted ally, and we have benefited enormously from his foreign policy leadership. That said, we believe Pera's dire comments regarding potential center left foreign policies might be exaggerated, and that we could work with an eventual center left government led by former EU President Romano Prodi if he is elected Prime Minister next spring. Though a center left Italian government would not be nearly as supportive of U.S. foreign policy as Berlusconi has been, it contains a broad spectrum of parties whose views on U.S. policies, especially Iraq, are more nuanced. A DS international affairs adviser recently assured us that any withdrawal of Italian troops from Iraq would be completed in a "responsible manner." Prodi is facing primary elections next month and is reaching to the left in order to keep voters from supporting Communist party leader Fausto Bertinotti. We will see if he moderates his positions as the contest moves to a challenge of Berlusconi. END COMMENT  
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